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QUESTION & ANSWER

with JOHN REYNOLDS

Why the Call Center is a Strategic Asset

We asked John Reynolds, managing partner of Intervox Group, what values make the call center a profit center for companies and how to innovate common marketing concepts to improve customer loyalty.

CC (Call Center): How well do companies understand the value that their call centers represent to their business prospects? Are there ways for non-call center execs to measure the contribution that the call center brings?

JR (John Reynolds): The customer contact center is one of the most under-exploited resources in the modern enterprise. Originally set up to consolidate and automate “routine” customer transactions, call centers today are ideally positioned to drive the next wave of customer value creation. This “perfect storm” of opportunity has been made possible by radical leaps in our understanding of customer relationship management and the power of the enabling technologies. Companies

that fail to bring their contact centers into alignment with this potential will be at a significant disadvantage.

Virtually all companies claim to be customer focused. Yet despite growing evidence of outsize returns on investments in service and retention, come budget time, customer care routinely loses out to marketing and sales. One obvious explanation is the immediate and visible impact of sales on growth and profitability. Related to this is the perceived relative ‘sexiness’ of new customer acquisition and the persistent notion that new sales are the key to company growth. Another factor is the way call center management characterizes and reports its performance. Average Speed of Answer and Average Handle Time have little to do with what management most cares about: perpetuate the contact center as a marginal actor. The contact center can live up to its role by changing the way it measures and communicates its performance in this new role as driver enterprise growth and profitability.

Non-call center execs can measure the center’s contribution by insisting on metrics that show its impact on enterprise growth and profitability. Significant “stranded” sales, for example, can be reclaimed by deeply attending to factors that impact de-

fection, repurchases and advocacy. Other relationships are harder to show, but the effort will almost always reveal surprising, and often significant opportunities for creating enterprise value. Employee satisfaction and retention ultimately drive results at the enterprise level through greater productivity and customer satisfaction. Those linkages need to be clearly established and tracked. Operationally, insist on showing how your processes and systems are improving customer satisfaction and process efficiency. All traditional call center metrics (e.g., ASA, AHT, adherence) should be translated to show how each value driver contributes directly to enterprise growth and profitability.

The call center *is* a driver of enterprise value, and ultimately it’s the call center manager who needs to take responsibility for the necessary image overhaul by bringing his/her operation—and communication—into line with enterprise goals and objectives.

CC Similarly, what’s the best way for a company to assess the actual value of customers? Many companies pay lip service to the idea that customers are their “greatest asset” – but what metrics should they be using to establish this as fact and not just as mythology?

JR If the principal aim of customer relationship management is to maximize the return on the company’s customer asset base, then a necessary starting point is a good approximation of actual and potential Customer Lifetime Value, by segment. *Actual CLV* is the customer’s current value to your company as measured by total

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lifetime purchases (less associated costs) plus the value of referred sales. *Potential CLV* projects the value of a hypothetical, 100% loyal customer. Together, these indices quantify the “stranded” value available for reclaiming through more effective alignment to customer loyalty drivers.

But CLV by itself is near useless without a fact-based understanding of loyalty drivers—those factors that most affect customers’ propensity to buy more of your products and services—and to advocate them to others. Surprisingly few companies make the effort required to understand their customers at this level (and, no, I’m not talking about typical customer satisfaction surveys). CLV, then, shows you what’s at stake; a “loyalty driver map” shows you where to focus your efforts to reclaim stranded value. Together, they provide a compelling framework for contact center-driven growth and profitability.

Armed with these metrics, you can then show how your call center drives growth and profitability, win budget dollars for your initiatives and gain stature in the organization. And of course, your focus on managing to these new metrics will radically change the dynamic within your center. You’ll also gain some valuable insights that can be incorporated into an agenda that furthers your value as a player at the corporate level. For example:

- What’s the “lift” to sales or profitability from particular investments (e.g., extending customer lifetime or migration management)?
- Which customers are my most profitable?

- What can I do to make them more profitable?
- Which customers aren’t worth keeping?
- Where’s the biggest bang for my service buck?
- How can I extend customer lifetime?
- What’s the return on investing in additional services?
- How can I improve cost to serve?
- How much should I spend?

CC What are the best ways that a call center manager can communicate these value principles to the rest of the company?

JR First, limit the use of traditional metrics such as Average Speed of Answer, Average Handle Time, Service Level and the like to internal purposes. Communicate your contribution to the company using measures that show how you drive sales growth and profitability. Focus on customers, employees and operations—in that order. Regarding customers, show how your operation lifts Customer Lifetime Value through your ability to meet needs that drive retention, repurchases and account profitability. With respect to employees, show how your recruitment, training, retention and development efforts are improving employees’ contribution to growth and profitability (by lifting employee productivity and customer satisfaction). At the operational level, develop and use metrics that show how your processes, use of technology and resources efficiently optimize the value of your customer relationships—and thus contribute directly to company growth and profitability.

Given the subsidiary role assumed of most contact centers, you’ll have some missionary work to do, but in

the long run it will pay off for you and your company. Create an agenda around how your call center creates organizational value and be proactive about communicating it. The good news is that many sophisticated analytic techniques (multivariate statistical models, activity based costing, among others) have been adapted to customer interaction management to reveal and exploit significant opportunities for creating additional value.

CC In your work, you’ve stressed the importance of communication between the call center and the enterprise – and you’ve indicated that communication needs to run both horizontally and vertically. Can you give some examples of how successful communication channels should be operating, and why they are important?

JR It’s always best when people communicate based on facts. Friction between functions is inevitable, and the call center tends to get blamed undeservedly. One solution is to build a cross-department system of accountability that eliminates “he said, she said.” Another is to institute a system of charge-backs that will hold other departments accountable for their discretionary use of call center resources. At minimum, better systems of tracking and cost-accounting are also helping. Another practice is to designate an end-to-end process owner. The process owner is the *de facto* decision maker on how each process will be delivered, measured and presented, regardless of channel. This is a very different model than we see today where each channel (call center, web, etc.) constructs its own version of the process message.

Adopt the language used by other functions to communicate your contributions to their growth and profitability. Link your activities to the value drivers

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of key stakeholders and, ultimately, to the value created for shareholders. Emphasize common goals and process over departments and functions.

In communicating to upper management, performance needs to be communicated in terms of financial metrics, customer trends (quantified), performance of projects that lead to cost take-out or revenue enhancement, and overall process reengineering. If senior executives care about AHT or adherence it's because you can show how it impacts growth and profitability of the company. Call centers need to improve their ability to translate their activities into how they contribute in these areas. Trace each component of a customer interaction back up the chain through the strategy, objectives, mission and vision of the business. Does it drive growth or profitability? If not, why are you performing it that way? After all, if you're not contributing to enterprise growth and profitability, then why should management fund your activities?

CC Not many people would argue with your proposition that the call center is a value driver for the company, but what are the consequences of neglecting it in practice? For the company, and for call center operations?

JR The best that can be said of most call center initiatives is that they produce bad service a few seconds faster. The first goal of any call center initiative should be to understand what's truly important to customers and to align processes, resources and behaviors to delivery consistently around those needs. Starting with effective customer

interactions not only binds your customers to you but also makes for more efficient operations and less rework.

As noted, the contact center is ideally positioned to drive the next wave of customer value by exploiting a deeper understanding of customer dynamics and ever more sophisticated tools and technology to actuate those benefits. Failure to exploit this opportunity will put "traditional" call centers—and the companies they serve—at a growing disadvantage. For example, we are learning, with greater precision, the impact of retention and loyalty management on growth and profitability. Moreover, sophisticated analytical tools and techniques are being brought to bear on uncovering and exploiting these relationships. Companies risk stranding significant enterprise value by failing to understand what drives customer retention, repurchase rates and advocacy; call centers and their people risk under-utilization. Each needs to make a concerted effort to understand what's at stake and how most effectively to mine that value.

And, of course, if you don't do these things, your competition will.

CC Practically speaking, how deeply committed do you think top corporate execs really are to supporting the core mission of their call centers? Do you think they really recognize the call center as a value driver? Even if they do recognize it, do they have the opportunity and insight to act on that value?

JR The good news is that execs are committed. The bad news is that, regarding the contact center, they're committed to a suboptimal value proposition. Call center management perpetuates its marginalization through the continued use of metrics

that have little bearing on enterprise value creation. Inevitably, then, corporate management continues to view the call center as a poor stepchild, missing the opportunity to exploit its potential to drive real value at the enterprise level.

A follow on question might be: What *should* corporate execs be committed to? They should begin by regarding the contact center as an important driver of enterprise growth and profitability and insisting on reporting that shows that relationship. The call center is an ideal vehicle for actuating a customer centric agenda, for focusing diverse company resources to develop and realize the substantial value available from fact-based customer intimacy and the judicious use of powerful tools and technologies to realize the potential.

Now *that's* something worthy of management's commitment.

Intervox Group is a full service consulting and implementation firm focused on helping clients transform their customer contact centers into primary drivers of enterprise value.

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